

October 3, 2002

D.T.E. 02-38-A

Investigation by the Department of Telecommunications and Energy on its own Motion into Distributed Generation.

ORDER ESTABLISHING A DISTRIBUTED GENERATION COLLABORATIVE FORUMI. INTRODUCTION

On June 13, 2002, the Department of Telecommunications and Energy ("Department") issued an Order opening a Notice of Inquiry into distributed generation.

Distributed Generation NOI, D.T.E. 02-38. The Department requested comments on four issues: (1) whether current distribution company interconnection standards and procedures in Massachusetts act as a barrier to the installation of distributed generation; (2) whether current distribution company standby service tariffs act as a barrier to the installation of distributed generation; (3) what the role of distributed generation is with respect to the provision of service by Massachusetts distribution companies; (4) what other issues are appropriate for the Department to consider. Initial comments were filed on August 1, 2002, reply comments were filed on August 15, 2002, and the Department conducted a public hearing on August 21, 2002.¹

¹ Comments were submitted by Aegis Energy Services, Inc.; AES New Energy; Associated Industries of Massachusetts; the Attorney General of the Commonwealth; Boston Public Health Commission; Cape Light Compact; Capstone Turbine Corp.; The Conservation Consortium; Massachusetts Department of Environmental Protection; Division of Energy Resources; The E Cubed Company, LLC; Fitchburg Gas and Electric Light Company; Gas Technology Institute; Ingersoll-Rand, Inc.; the Town of Harwich; KeySpan Energy Delivery (Boston Gas Company, Colonial Gas Company and Essex Gas Company each d/b/a KeySpan Energy Delivery New England); Mass Technology Park Corporation d/b/a Massachusetts Technology Collaborative, on behalf of the Renewable Energy Trust; Massachusetts Community Action Program Directors Association; MeadWestvaco; Massachusetts Electric Company and Nantucket Electric Company; National Association of Energy Service Companies; Northeast Energy and Commerce Association; National Energy Marketers Association; Northeast Combined Heat and Power Initiative; NStar; Plug Power, Inc.; Real Energy Inc. et al. (Distributed
(continued...))

II. ESTABLISHMENT OF A DISTRIBUTED GENERATION COLLABORATIVE FORUM

The Department has recognized that the uncertainty and lack of uniformity regarding interconnection standards and back-up rates could be inhibiting the installation of distributed generation in Massachusetts. Competitive Market Initiatives, D.T.E. 01-54, at 11 (2001). As part of this proceeding, the Department has stated that it would “investigate the development of standards and practices that recognize legitimate safety and reliability concerns associated with interconnection, but also that do not unduly inhibit the installation of distributed generation.”

D.T.E. 02-38, at 3.

Virtually all commenters favored the use of a collaborative initiative for the formulation of interconnection standards, policies, and procedures that would be uniformly applicable to electric distribution companies operating in Massachusetts. A number of commenters stated that a collaborative initiative was not likely to be effective with respect to: (1) distribution company standby service tariffs; and/or (2) the role of distributed generation with respect to provision of service by Massachusetts distribution companies. If a collaborative initiative were to be used, commenters noted the importance of organizational issues such as a discrete timeline and clarity

¹ (...continued)
Power Coalition of America, IEC Engineering, P.C., Siemens Building Technology (District One), Harbec Plastics, Inc; E Cubed LLC., Hess Microgen, Nuvera Fuel Cells, North Battery Development LLC; and Berkshire Development); John Schnebly; Solar Energy Business Association of New England; Solutia, Inc.; Stone and Webster; Trigen Boston Energy ;Union of Concerned Scientists, et al. (Conservation Law Foundation, Massachusetts Energy Consumers Alliance, Massachusetts Public Interest Research Group, Clean Water Action, and The Environmental League of Massachusetts); United Technologies Corporation; Western Massachusetts Electric Company; and Wyeth BioPharma.

in terms of the desired end-product. In its comments, the Massachusetts Technology Collaborative (“MTC”), on behalf of the Renewable Energy Trust, offered to host a distributed generation collaborative forum, to provide support and facilitation services for this effort, and to sponsor relevant research and analysis on issues raised during this collaborative (MTC at 5, 15, 22).²

In the past, the Department has relied on collaborative initiatives as a means of achieving a consensus among a set of stakeholders affected by particular issues. Gas Unbundling Collaborative, D.T.E. 98-32-B (1999); Electric Industry Restructuring, D.P.U. 95-30, at 46-47 (1995). The Department concludes that a collaborative forum, to establish uniform interconnection standards, policies, and procedures, would be an appropriate method to meet the Department’s objective concerning the removal of barriers to the installation of distributed generation. Accordingly, the Department directs the Fitchburg Gas and Electric Light Company, Massachusetts Electric Company and Nantucket Electric Company, NSTAR Electric, and Western Massachusetts Electric Company (together, “Distribution Companies”) to commence a collaborative process that includes, but is not limited to, the participants in this proceeding. The goal of this collaborative process is to propose, for Department approval, interconnection standards, policies, and procedures that would be uniformly applicable to all Distribution Companies, no later than

² The Department notes that MTC’s offer to undertake a distributed generation collaborative is contingent on approval by the MTC’s Board of Directors (MTC at 5).

December 16, 2002.³

The Department notes that the work of a collaborative is dependent on participation, and therefore the Department encourages the full participation of all commenters to this proceeding. The Department appreciates and accepts the MTC's proposal to facilitate this collaborative process. We direct the Distribution Companies to contact the MTC and initiate this process no later than seven days following this Order.

During the collaborative period, the Department directs the Distribution Companies to provide joint reports every two weeks describing the general status of the collaborative process. At the end of this collaborative period, the Department directs the collaborative participants to provide a single joint report outlining the results of the collaborative process, including, but not limited to, a listing and description of areas of agreement and description of issues that remain unresolved. Collaborative participants will have the opportunity to comment on this joint report. Based on the Department's review of the joint report and comments, the Department will determine the nature and extent of any further action.

The Department encourages the collaborative to focus on, among other things, the best features of existing interconnection standards, policies, and procedures. The content of the interconnection standards should be guided by, but not be limited to:

- a. Simplified, state-wide technical interconnection standards for small distributed generation;

³ The filing requirements (i.e., number of copies, address, format of filing, electronic copies, etc.) shall be those in the June 13, 2002 notice to this proceeding, and those contained in 220 C.M.R. § 1.02.

- b. Simplified, state-wide technical standards for all remaining distributed generation;
- c. A state-wide interconnection agreement;
- d. Interconnection procedures, standardized to greatest extent possible, including provisions that clarify interconnecting to a network system (compared to a radial system) and equipment pre-approval so that conforming components receive pre-approval by the electric distribution companies;
- e. A time schedule for responding to interconnection applications;
- f. A plan to develop and post a generic document describing interconnection procedures;
- g. An administratively efficient dispute resolution process.

The Department notes an interconnection rulemaking is currently being proposed by the Federal Energy Regulatory Commission (“FERC”). Standardization of Small Generator Interconnection Agreements and Procedures Advance Notice of Proposed Rulemaking, Docket No. RM02-12-000 (August 16, 2002). The collaborative participants are requested to take into account the FERC’s advanced notice of proposed rulemaking when developing their proposal.

Finally, the Department notes that this Order is in response to the first of four issues raised in this proceeding. D.T.E. 02-38, at 2. The Department intends to continue to review the comments and to monitor the activities of the collaborative forum prior to determining the nature or scope of initiatives concerning the remaining distributed generation issues.

III. ORDER

Accordingly, the Department

ORDERS: That Fitchburg Gas and Electric Light Company, Massachusetts Electric Company and Nantucket Electric Company, NSTAR Electric, and Western Massachusetts Electric Company follow all directives contained in this Order.

By Order of the Department,

Paul B. Vasington, Chairman

James Connelly, Commissioner

W. Robert Keating, Commissioner

Eugene J. Sullivan, Jr., Commissioner

Deirdre K. Manning, Commissioner